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State of Georgia overcomes economic challenges with purchase card program

While budget constraints have hampered many states' procurement initiatives, the state of Georgia has found a way to streamline procurement processes and purchase more necessary products and services – all while saving money.

"We grew our purchase card program in terms of spend volume, number of transactions and number of program participants over the last year in spite of the economic challenges," says Paul Kurtz, CPCP, State Cards Program Manager, Department of Administrative Services, State Purchasing Division.

"We transitioned spend from the more expensive payment methods to the card program, increasing state spend by more than 2 percent compared to the previous year in spite of overall budget cuts. That means the purchases that had to occur were paid for more efficiently. With over 1 million transactions through the program and a conservative cost savings of $50 per transaction when compared to traditional POs, that's a savings of over $50 million to the taxpayers in Georgia," he explains.

Not satisfied with just increasing card program participation by current cardholders, Kurtz, who has been managing the state's card program since 2008, and his team actively marketed the program to local government entities, growing that user base from 74 in 2009 to 84 in 2010. "That number continues to grow as the multiple benefits of the program continue to be understood by those who are still using a purchase order system," he says.

State & local government card programs in the news

The State of Nebraska reports **using prepaid debit cards for state-related payments to residents.** In 2010 the state paid more than $12.5 million in unemployment benefits, about 700 inmates in work-release programs, over 2,000 people who are foster parents and respite care providers, and over 1,500 state and university employees using the cards.

Journal Star, June 8, 2010 ↰

Chesapeake, Virginia is phasing in **procurement cards for employee use in an effort to gain tighter control over employee spending**, says the city's finance director. The program rolled out in September.

Virginia-Pilot, June 30, 2010 ↰

The State of West Virginia reported that all state agencies and 121 local government entities were using the purchase card program as of October 2010. The state's auditor said that the program, implemented in 1996, has **enhanced purchase accountability, improved reporting and vendor relations and increased savings**. Its implementation on the local government level in 2008 has totaled more than $35 million in spending on 66,000 transactions without any taxpayer loss due to fraud.

West Virginia State Auditor's Office Bulletin, October 2010 ↰

In a survey conducted by the United States Treasury in July 2010, 95 percent of citizens in the country who are issued **government payments** such as Social Security and unemployment on prepaid cards are satisfied with the experience, citing **convenience and immediate access to their money** – something that checks don't provide.

ARA content, The Register-Mail, December 2010 ↰

State of Georgia overcomes economic challenges with purchase card program

State of Georgia card program overview:

11,200

approximate number of cards at state entities

8,800

approximate number of cards at local entities

$27 million

average monthly spend

1996

year program was established

One of those benefits is rebate rewards – funds that are especially welcome by cash-strapped municipalities and agencies. "Of those entities participating in the program, 66 received revenue share checks totaling more than $1.25 million. Some received checks for hundreds of thousands of dollars, all for making the purchases they needed to make to run their organizations on the cards," says Kurtz.

To be clear, Kurtz does not advocate the card as a way to spend more money. "We never ask a program participant to spend a dime more than they are currently spending," he explains. "Instead, we ask them to change how they pay for the purchases they are already making."

Changing procurement behavior of the state employees who have responsibility to purchase goods and services has many rewards. "With the economy and current budget shortfall we face here in Georgia, the purchase card program allows state entities to do more with less. It promotes fiscal responsibility because spending controls and visibility are increased. It reduces the costs associated with a traditional purchase order system. Plus, we are covered if the cards are used inappropriately or fraudulently as long as we report the misuse in a timely manner. Imagine walking into a store and asking for a misappropriated check or cash back from a vendor! No other form of payment offers that type of protection," he says.

To help change old procurement habits, Kurtz integrated the card payments into Team Georgia Marketplace, the state's eProcurement system that allows users to browse, select and purchase items from statewide contracts online. "If a vendor in the system accepts cards for payment, we will require the purchase be made on the purchase card," he says. "To help facilitate that, we clearly identify vendors that accept the cards with a special icon in the system."

Kurtz partners with program participants, senior management at agencies and state law makers in order to further enhance the state's purchase card program. Currently he is working on implementing changes in procurement policy to allow purchase cards to be used for the procurement of services. "We are doing this in response to the IRS changes involving 1099 requirements and the Tax Increase Prevention and Reconciliation Act (TIPRA) withholding requirements on card-based transactions. We will achieve great time and cost savings because card purchases will capture all the data necessary to comply with these requirements," he says.

Kurtz is continually looking for ways to improve the procurement process via purchase cards and has explored the opportunities available in paying utility bills, paying for employee travel and using declining balance cards for short term projects. "I am participating in a multi-agency Working Capital Optimization project that will shift the state from a heavily paper-based payment model to electronic payments. Purchase card and other card-based payments will be a major part of that initiative," he says. He is also partnering with the state's Strategic Sourcing group to include verbiage in statewide contract solicitations to require vendor acceptance of cards where warranted and offering additional points for vendors that accept cards when not required otherwise.

Tax Increase Prevention and Reconciliation Act of 2005 (Pub.L. 109-222, 120 Stat. 345).

Overview: As advised in previous newsletters, the law requires withholding 3 percent on all payments (including all payments made in connection with a government voucher or certificate program) to any person providing property or services made by the government of the United States, every state, every political subdivision thereof, and every instrumentality of the foregoing (including multi-state agencies), beginning in 2012.

Action: The IRS released a Notice announcing that the rule *does not apply* to card transactions. The IRS is seeking comments on this announcement, but if it decides to extend the provision for withholding on card payments, it will provide at least an 18-month window before requiring implementation. ⌐

A look at the changes or proposed changes regarding TIPRA

2011	2012
All check/cash transactions must be reported.	Expanded reporting for all check/cash payments.
TINs must be reported with all check/cash transactions, or backup withholding must occur.	3% withholding effective for federal, state and large local government check/cash payments.
B notices must be issued.	Penalty Notices for 2010 Forms 1088-MISC.

Resources for state and local government card program managers

These resources are available to help you better manage or enhance your card program.

TOPIC	OVERVIEW	ACCESS INFORMATION
Payables Automation White Paper	Understand payables automation, how to make it pay, and learn about card-based payables automation solutions.	*usa.visa.com/download/ corporate/resources/Visa_ ap_automation_white_ paper.pdf*
Purchasing Case Study	Learn how the Missouri National Guard optimized its Visa purchase card program to streamline operations.	*http://usa.visa.com/down-load/government/VIS2585-Case_Study-Missouri_ NG-R4-HQP.pdf*
State Travel Card AGA Research; Report No. 11	Gain insight into how state card program managers use travel card programs.	*usa.visa.com/download/ government/Visa_Research_ No_11_June_2007.pdf*
State Procurement Best Practices	Read this study to better understand procure-to-pay best practices suggested for and/or implemented by states and local governments.	*http://usa.visa.com/down-load/government/P2P_BP_ State_and_Local.pdf*

Purchase card program helps keep Arkansas' Forestry Commission on the road and in the air

There are a lot of trees in Arkansas – more than half the state is covered in commercial forest. Protecting and developing the state's forest resources keeps a team of fire management and law enforcement officers and staff on the road. To help get their jobs done, many of the staff of the Arkansas Forestry Commission rely on a Visa Purchase card to make the purchase and administration of their duties a bit easier.

"Arkansas Forestry Commission personal all over the state carry and use the purchasing card, most particularly when we need to get fast service on any of our vehicles," says Mark Reed, Arkansas' Fire Management Officer and Law Enforcement Supervisor.

The purchase card program makes it easy for Reed and his team to stay on the move to prevent and suppress wildfires, monitor and promote forest health, encourage reforestation and forest resource stewardship and gather/disseminate data.

"We all do a lot of travel," he explains. "Without the card, anytime we needed service or repairs on our state vehicles, we would first have to find someone who would agree to direct-bill the state. Then we would have to complete the required paperwork. With the purchase card, this procedure is minimized."

While Reed and his team are careful to keep the purchase amounts well within state guidelines, there are times that a more expensive repair must be made. The purchase card program allows exemptions to these thresholds quickly.

"If one of our planes needs to have a generator replaced, this could be a $2,000 service cost. One call and the cost can be approved, the repair made and the plane and pilot back in the air," says Reed.

Reed and his team have been using the purchase card program for about five years, and he finds that his team are mindful about responsible use of the cards.

"We all know that the card is for specific job-related expenses and that no personal expenses can go on the card," he says. "That also includes fuel and travel expenses. I encourage my officers to keep the purchase card separate from their personal cards, so there is no accidental mix up in using the card for non-job related expenses."

An additional bonus of the purchase card program is its support of the Commission's mission for sustainability. "Anything that protects our forest resources is a positive thing," says Reed. "With the purchase card there is a lot less paperwork and that means a lot more trees are preserved."

Fast, easy way to make sure your travel card program is compliant

Get started with the Visa Travel Card Controls Gauge

1. Go to *http://usa.visa.com/ vtg/travel_gauge_landing*

2. Answer each of the 26 questions by selecting all responses that apply.

3. Refer to the roll-over glossary for help with any unfamiliar terms.

Once the questionnaire is completed, you will automatically receive outputs available in downloadable Excel sheets.

As federal reforms tighten compliance requirements for management of travel card programs, state and agency program coordinators are taking advantage of the free online Visa Travel Card Controls Gauge to increase control in travel card program design, administration and security.

The Gauge is comprised of three components: an online questionnaire, questionnaire results and relevant legislation references, and a list of program improvement opportunities.

"This online tool is very easy for program administrators to use and it delivers fast results to help a manager identify required or recommended practices based upon legislation and best practices," says Darren Muise, Visa Commercial Partnerships, Public Sector.

The tool's online questionnaire is easy and quick to use, says Muise. "We find that program managers who carefully complete the 26-question survey are able to do so in about 30 minutes," he says.

After completing the questionnaire, two outputs are provided: a results summary and an improvements plan.

"The improvements plan is a valuable tool that identifies opportunities for improvement that an agency or state can take, expected benefits of implementation, and a reference to the relevant legislation," says Muise.

The Visa Travel Card Controls Gauge is available free online at **http://usa.visa.com/ vtg/travel_gauge_landing .**

2011 Trade shows & conferences

March

National Association of State Treasurers
Legislative Conference

March 27-30, Washington, D.C.
www.NAST.org

April

National Association of Educational
Procurement Annual Meeting

April 3-6, Memphis, TN
www.naepnet.org

National Association of Purchasing Card
Professionals Annual Conference

April 11 – 14, Las Vegas, NV
www.Napcp.org

May

Government Finance Officers Association
Annual Conference

May 22-25, San Antonio, TX
www.gfoa.org

June

National State Auditor's Association
Annual Conference

June 14-17, Williamsburg, VA
www.nasact.org

Annual Conference of Mayors

June 17-21, Baltimore, MD
www.usmayors.org